



State of Connecticut

HOUSE OF REPRESENTATIVES
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Public Hearing Testimony
Finance, Revenue and Bonding Committee

Dear Chairman Fonfara, Chairman Berger, Senator Frantz, Representative Davis, and esteemed members of the Finance, Revenue and Bonding Committee:

I write in support of S.B. No. 446 (RAISED) AN ACT REPEALING THE ESTATE AND GIFT TAXES.

Back in December of 2015, Governor Malloy stated **"To be the only state that has estate taxes and gift taxes doesn't make a whole lot of sense. ... I think doing away with gift or estate taxes — one or the other — would be foreseeable and possible."**¹

I agree with Governor Malloy. However, it is no secret that the State of Connecticut is facing enormous deficits, so one may question how anyone could propose a tax cut in the face of fiscal instability. The answer is because of the current outmigration of wealth, which includes tax revenue in the form of income taxes, sales taxes, gas taxes, property taxes, etc. Not to mention the potential jobs and businesses lost due to these taxes.

Connecticut is currently one of only 18 states with an estate or inheritance tax and is the only state with a gift tax. Other states have taken action – Minnesota quickly repealed its gift tax and New York has made serious changes to its estate tax rate to match the federal exemption by 2019.

The sad reality is that wealthy people have the means to move to states with lower tax rates – and they do. According to the Yankee Institute, "from 2011-2013, the state lost 30,417 people and \$3.83 billion in taxable income to states without estate taxes."² This also undoubtedly includes the loss of retired middle class seniors looking to downsize – why would they stay in a state where the fruits of their labor are taxed so heavily?

¹ <http://www.stamfordadvocate.com/business/article/On-the-docket-in-2015-estate-taxes-6707888.php>

² <http://www.yankeeinstitute.org/policy-briefs/a-better-place-to-die-reforming-connecticuts-estate-tax/>

The state's current reputation is it's bad for business, its citizens are overtaxed, and, worst of all, it's a bad place to die. With the repeal of these two taxes, which only amount to about 1% or less of the general fund budget, we have the opportunity to change the conversation and start the process of making Connecticut the desirable location it can and should be. It will give seniors a sigh of relief that they can give their money and property to their children, without the threat of over-taxation, upon their death (or, if the gift tax is repealed, any time). Doesn't Connecticut want to keep those dollars in the state?

While I don't anticipate this bill moving forward, I would encourage the Committee to at least think about the concept. In the very least, the state's estate tax should mirror the federal exemption rate and it should be indexed for inflation. My recommendation for the gift tax is elimination – it's only good to be an outlier when you are making a positive impact on society, not when you are the only state with an onerous tax.

Thank you for your consideration and for the opportunity to testify.

Devin Carney